

BARRICK RESOURCES CORPORATION  
*Annual Report 1984*

*Annual Meeting*  
Monday, June 17, 1985  
The Royal York Hotel  
British Columbia Room  
100 Front Street, West  
11:00 a.m.  
Toronto, Ontario

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*Barrick Resources Corporation*  
*Highlights in 1984*

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Barrick-Cullaton Gold Trust raised \$17 million in February to expand production of the Renabie Gold Mine in Ontario.

Amalgamation with Camflo Group in July increased assets to \$219 million and shareholders' equity to \$105 million.

Prudential-Bache/Barrick Gold Acquisition Partnership raised \$53 million in December to purchase approximately one-fifth of Camflo Mine's gold production.

Canadian gas production sold for \$32 million in March 1985.

Bank indebtedness of approximately \$100 million repaid.

*Gold*

Attributable gold production from Barrick's mining properties in 1984 was 57,000 ounces.

Recent drilling at the McDermott gold property in Northern Ontario has established sufficient reserves to justify an exploration shaft in 1985.

*Oil and Gas*

Barrick organized a U.S. \$12 million South Texas geophysical and land acquisition programme to provide a continuing supply of oil and gas prospects in high potential areas.

*The Camflo Mine — Quebec*



During the year, the Company achieved one of its major objectives by building a strong foundation to become a significant gold producer in North America. In July 1984, Barrick amalgamated with Camflo Mines and Bob-Clare Investments. The amalgamation, which has been accounted for as a purchase effective July 1984, had the effect of increasing Barrick's asset base from \$53 million to \$219 million. At that time, Barrick committed itself to eliminating the bank debt of approximately \$100 million resulting from the Camflo acquisition. This debt was repaid by a \$30 million private placement, the sale of Canadian gas production for \$32 million and a unique gold financing in the United States which raised \$53 million for the purchase of gold, approximately 20% of production from the Camflo Mine. The pro forma balance sheet included in these accounts shows the Company in an essentially debt free position.

The gold financing is important to the Company's growth plan. It represents a new approach to the funding of future acquisitions of gold producing properties. The Prudential Bache/Barrick Gold Acquisition Partnership called the Gold Company of America was initially marketed in December 1984, to purchase gold to be delivered from the Camflo Mine. The depositary units representing interests in the Partnership are presently listed for trading on the NASDAQ system. Completion of a further offering of units in 1985, given appropriate market conditions, will allow Barrick to access additional funds for gold production acquisitions in North America.

Operations during the year generated profits of \$7.1 million compared with a loss of \$1.1 million in 1983. After deducting bank interest of \$5.6 million, depreciation of \$5.8 million and giving effect to other items, the loss for the year amounted to \$3.7 million compared with \$4.4 million in 1983.

Extraordinary items, primarily from the sale of Canadian gas production, increased the loss for the year to \$16.1 million.

The reviews of the gold and energy operations of Camflo and Bob-Clare, which are included in this report, reflect their performance for the calendar year 1984. However, the consolidated financial statements include the results from these operations only from July 1984; being the date on which they were acquired by Barrick.

### **Gold**

Gold production from the Camflo Mine in Quebec is currently the Company's most important mining activity. Shaft deepening and underground development work were a major part of operations during the year and will help maintain operating costs at U.S.\$200 per ounce of gold.

The Pinson operation in which Barrick has a significant working interest continues to perform as one of the most efficient U.S. open pit mining, milling and heap leach gold operations.

Operations at the Renabie Mine in Ontario and the Valdez Creek Mine in Alaska were not up to expectations, however, significant improvements are anticipated in the current year.

### **Oil and Natural Gas**

Barrick continues its strategy of creating quality exploration prospects where the exploratory drilling risk is entirely borne by other companies with Barrick retaining carried interests through the test drilling. While this approach defers potential cash flow contributions, it reduces the risks inherent in exploration drilling. During the past two years, in excess of \$60 million of exploratory expenditures and commitments on Barrick's properties has been generated from industry partners.

### **Outlook**

Barrick's plan of increasing gold production will be continued in 1985. Production acquisitions will be aggressively pursued and exploration on existing properties will be accelerated. In this regard, the McDermott property in Northeastern Ontario continues to show promise as a gold producer. The tonnage is being increased substantially and the

potential to develop a major mine is considered excellent.

The rationalisation of certain assets which are no longer in the mainstream of Barrick's activities will continue throughout 1985. Because of its increased focus on becoming a significant North American gold producer, Barrick's earnings are increasingly a function of gold prices. If these do not move significantly higher, the Company, despite its current operating profits, expects to show a loss in 1985. This is primarily due to high depreciation charges, and equity accounted losses from its affiliates.

Submitted on behalf of the Board of Directors.



April 30, 1985

Gary J. Last  
President and  
Chief Executive Officer

### **The Camflo Mine**

The gold mining operations in Malartic, Quebec, generated an operating profit of \$7.4 million in 1984 compared with \$14.4 million in 1983. The reduced profit was principally due to the lower grade of ore and lower gold prices in 1984.

The Camflo mill treats ore from the Camflo Mine, and also from the property of Malartic Hygrade Gold Mines (Canada) Ltd. as the orebody extends onto that property at depth. Camflo mines and mills the Malartic Hygrade ore for a 40% share of the operating profit. The mill treated an overall average of 1,300 tons per day in 1984. The grade of ore treated was lower than in 1983 and fewer ounces of gold were produced. In 1984, including Camflo's 40% share of Malartic production, 353,085 tons of ore grading 0.112 ounces of gold per ton produced 37,098 ounces of gold. This compares with 337,721 tons grading 0.153 ounces of gold per ton which produced 49,840 ounces of gold in 1983.

Camflo is one of the lowest cost underground gold mining operations in Canada. The mine operating costs per ton for the year, including Camflo's 40% share of Malartic production, increased 3.6% to \$27.69. The cost per ounce recovered averaged \$261.51 (U.S. \$200.27) compared with \$181.10 in 1983. The increase was due almost entirely to the lower grade of ore treated. In 1985, direct operating costs per ton are expected to increase by approximately 6%, and an increase is anticipated in the number of ounces to be produced.

During 1984, shaft deepening was completed to a depth of 4,070 feet; crosscuts were started on the 3825', 3475' and 3300'

levels; and, on the 3650' level, 3,100 feet of crosscutting was completed to permit the initial deep exploration to start in January 1985. During the year, a new ore-pass system was completed, and a new loading pocket and crusher station were prepared.

Due to the extensive mine development program in 1984, no exploration was carried out. Proven and probable ore reserves at year end were approximately 1,750,000 tons of 0.11 ounces of gold per ton of Camflo ore, and 869,000 tons of 0.12 ounces of gold per ton of Malartic Hygrade ore. The Malartic Hygrade orebody is open at depth and new ore is already being outlined in 1985. Some good exploration targets remain to be investigated on the Camflo claims. In 1985, priority will be given to the exploration program on the new deep levels.

### **The Pinson Mine**

United Siscoe Mines Inc. a 43.7% owned affiliate of Barrick, owns a 26.25% interest in the Pinson open pit gold operation in Nevada. This very efficient, low cost mine had another excellent year in 1984. Not only was production increased, but the cost per ounce of gold was reduced and a new orebody was discovered. In addition, the Preble Mine was brought into production towards the year end to provide additional feed to the Pinson operation.

Total 1984 gold sales were 65,332 ounces at an average operating cost of U.S. \$148.40. These figures compare with 1983 gold sales of 56,458 ounces at an average operating cost of U.S. \$180.11 per ounce. Production for 1985 is estimated to be 70,000 ounces.

Exploration has resulted in the discovery of the Mag Zone only half a mile north of the Pinson mill. Preliminary estimates of the



Mag reserves are 1,049,000 tons of milling ore grading 0.090 ounces of gold per ton and 420,000 tons of heap leach material grading 0.027 ounces of gold per ton. Drill indicated material amounts to an additional 330,000 tons of milling ore. The limits of this orebody have yet to be defined and another year of extensive exploration has been planned for 1985.

Pinson ore reserves in the various areas now total 4,006,000 tons of milling ore grading 0.091 ounces of gold per ton and 3,810,600 tons of leaching ore grading 0.038 ounces of gold per ton.

#### **The Renabie Mine**

The Renabie mine is a gold producer in northern Ontario which is owned jointly by Barrick and Royex Gold Mining Corporation which operates the mine. Placement of the Barrick Cullaton Gold Trust to finance an expansion program proposed by Campbell Resources was completed in February 1984. The outlook for 1985 is for production of 26,500 ounces. The Gold Trust expansion plan was referred to in some detail in last year's report and is proceeding. Management has worked towards upgrading and rehabilitating the plant and equipment, increasing the milling and hoisting capacity and confirming and developing ore reserves, while at the same time generating cash flow from mining the known reserves.

Work is continuing on sinking the internal winze for development and mining of the orebody at depth. Currently ore is being mined from below the 3100' level by ramp access and utilizing a sub-level retreat mining method.

During the year 121,802 tons grading 0.144 ounces of gold per ton were milled and

*The Pinson Mine — Nevada*



16,195 ounces of gold were produced. The direct operating cost per ton was U.S. \$52 (U.S. \$391 per ounce), indicating a modest operating loss before taxes and other charges.

At December 31, 1984, the mine reported the reserves to be 1.11 million tons of proven and probable ore having an average grade of 0.187 ounces of gold per ton. The reserves are based upon a cut-off grade of 0.1 ounces of gold per ton and a dilution factor of 12%.

#### **The Valdez Creek Mine**

Barrick Resources has a 23.125% interest in the Valdez Creek Joint Venture which operates an open pit placer gold property north of Anchorage, Alaska. Production began in August 1984 and continued until the planned winter shut-down in October. During this period 17,000 ounces of gold were recovered at an average operating cost of U.S. \$197 per ounce.

Production for 1985 is forecast to be 26,000 ounces at an operating cost of U.S. \$185 per ounce. Ore reserves are adequate for this year's operation, however an extensive exploration program costing a minimum of \$1 million will be undertaken to permit long term planning. The potential for expanding ore reserves is considered to be excellent.

#### **McDermott Project**

Barrick owns a promising gold deposit on the McDermott property located approximately 30 miles north of Kirkland Lake, Ontario. Adjacent properties have been optioned and, in total, Barrick controls with industry partners over 4,000 acres along the five mile strike length of this zone. A total of 117,000 feet of drilling has been carried out along this strata-bound silicified breccia zone, which carries gold values along almost all of its length.

In the latter part of 1984 the program began to outline a core of consistent high grade mineralization on the main McDermott property. Reserves in the probable and possible categories, compiled by an independent consulting firm as of February 1985, total over one million tons averaging 0.19 ounces of gold per ton with a cut-off grade of 0.10 ounces of gold per ton over a minimum mining width of 6.5 feet. The potential for expanding these reserves is excellent as the ore is open to depth and along strike. Four drills have resumed work and it is anticipated that reserve definition will be sufficiently advanced to permit the collaring of an exploration shaft in the third quarter of 1985.

#### **Wilanour Resources Limited**

Barrick owns 67% of Wilanour Resources Limited which controls a large group of mining claims adjacent to the Campbell Red Lake Mine, one of Canada's largest gold mines. In 1984, Esso Minerals Canada entered into an agreement with Wilanour and its subsidiaries whereby Esso can earn a 60% interest in the mining rights by spending \$5 million on exploration and development. An extensive surface and underground drilling program was carried out in 1984 involving the expenditure of \$1.9 million and Esso has indicated that it will expand the program in 1985. The preliminary budget for 1985 is \$5 million.

#### **General**

Exploration work was carried out on the Juneau project in Alaska, on the Squall Lake project in Manitoba and on other areas. The major exploration effort for 1985 will be associated with the McDermott project.



### **Oil and Gas**

In 1984, Barrick successfully confirmed two discoveries made in 1983 at the Southeast Fandango field in South Texas and at the Madden-Badwater field in central Wyoming.

In the Company's Northwest Montana joint venture, Barrick has significantly increased its acreage position and data base at no cost. The company has also been successful in organizing a \$12 million South Texas geophysical and land acquisition program that should provide a continuing supply of oil and gas prospects in this high potential area. Since inception in 1982, Barrick Exploration Company has promoted over \$60 million from industry partners.

The company relies on a highly technical geological and geophysical approach to define exploratory prospects. By having the exploratory well risk paid by industry participants Barrick exposes itself to major discoveries of oil and gas at no risk cost. The company is recognized as a leading explorer in its present areas of activity.

The Company's exploration interests in Australia and New Zealand were sold in 1985. The joint venture exploration programme in Turkey is in the process of being farmed out.

### **Coal**

La Luz Mines Limited, an 89.5% owned subsidiary, operates two open pit coal mines in the State of Ohio. Coal revenue in 1984 was \$42.6 million from the sale of 1,196,000 tons compared with \$40.4 million from the sale of 1,145,000 tons in 1983. Net income to La Luz for the year was \$1.6 million compared with \$0.7 million in 1983. Barrick presently intends to dispose of these operations and consequently, their results have

been accounted for by the equity method from the date of acquisition in July, 1984.

### **Geothermal Energy**

The Company, through its 43.7% owned affiliate United Siscoe has interests in the geothermal exploration and development industry which are primarily located in California. As at December 31, 1984, United Siscoe reduced the value of these interests to their estimated recoverable amounts, the reduction arising primarily as a result of poor exploration results and lower utility pricing forecasts.

*Long hole production drilling*



In 1984 total assets increased by \$166.5 million to \$219 million primarily as a result of the acquisition of Camflo Mines Limited and Bob-Clare Investments Limited in July 1984. This amalgamation was effected by the issue of \$47 million of common shares. A further \$30 million of common shares were issued for cash, to partially repay bank loans assumed as a result of the acquisition. These transactions were effective as at July 14, 1984, and accordingly, the consolidated financial statements include the results of operations of Camflo and Bob-Clare Investments from that date.

The Barrick-Cullaton Gold Trust financing was completed in February 1984 whereby Renabie Gold Mines Limited received \$14.9 million from the Trust in consideration for a percentage of future gold production ranging from 3% to 10% (depending on the then current price of gold) of total production from the Renabie mine. These funds were placed in trust and are being used to fund the expansion of the Renabie mine.

The Company initiated another form of gold financing in 1984 and formed a partnership, Gold Company of America, with Prudential-Bache Minerals Inc. which sold to the public U.S. \$47 million of depositary units representing an assignment of the economic rights attributable to limited partnership interests in the Partnership. In January 1985 the net proceeds of \$53 million were used to purchase gold, under long term gold purchase contracts, from the Camflo mine.

The Company used these proceeds to pay down bank and other indebtedness thereby substantially improving the Company's liquidity.

Revenues increased by \$19.9 million to \$21.8 million due to the acquisition of gold mining and oil and gas operations of Camflo and a full year's production from the Renabie mine. An operating profit of \$7.1 million was generated in 1984 as compared with a loss of \$1.1 million in 1983. The loss for the year after bank interest and depreciation decreased from \$4.4 million in 1983 to \$3.7 million; however, the final loss for the year, after extraordinary items, primarily on the sale of discontinued Canadian oil and gas operations, amounted to \$16.1 million.

The receipt of \$51 million, net of costs, from the Gold Company of America financing referred to above and the net proceeds of \$31 million received in March 1985 from the sale of the Canadian oil and gas operations have been shown in a pro-forma balance sheet at December 31, 1984. These transactions virtually eliminated the Company's current and long-term debt.



Jeremy Garbutt,  
*Vice President Finance*

*Barrick Resources Corporation*  
*Consolidated Balance Sheet*  
*As At December 31, 1984 (\$000's)*

<b>Assets</b>	<b>Pro Forma 1984 (note 1)</b>	<b>1984</b>	<b>1983</b>
<b>Current assets</b>			
Cash and short term deposits	\$ 4,653	\$ 1,353	\$ 4,020
Marketable securities	1,898	1,898	—
Accounts receivable	7,344	7,344	3,285
Mine operating supplies	2,549	2,549	568
	16,444	13,144	7,873
<b>Cash held in trust (note 3)</b>	3,704	3,704	—
<b>Property, plant and equipment (notes 4 and 16)</b>	122,562	155,709	40,499
<b>Investments (note 5)</b>	43,026	43,026	—
<b>Other assets (note 6)</b>	1,541	3,419	4,168
	\$187,277	\$219,002	\$52,540
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank loans (note 7)	\$ 1,933	\$ 34,214	\$ 1,774
Accounts payable and accrued liabilities	9,034	9,034	5,414
Current maturities of long-term debt (note 8)	404	404	—
	11,371	43,652	7,188
<b>Long-term debt (note 8)</b>	3,359	52,081	3,617
<b>Gas production prepayments</b>	—	1,847	—
<b>Gold trust interest (note 9)</b>	6,880	6,880	—
<b>Deferred gold production revenue (note 15)</b>	51,125	—	—
<b>Deferred taxes</b>	9,189	9,189	—
	81,924	113,649	10,805
<b>Shareholders' equity</b>			
<b>Capital stock (note 10)</b>	130,207	130,207	49,191
<b>Deficit</b>	(24,854)	(24,854)	(7,456)
	105,353	105,353	41,735
	\$187,277	\$219,002	\$52,540

*Signed on behalf of the board*  
Peter Munk *Director*  
Gary J. Last *Director*

*See accompanying notes to consolidated financial statements*



*Barrick Resources Corporation*  
*Consolidated Statement of Operations*  
*For the Year Ended December 31, 1984 (\$000's)*

	1984	1983
<b>Revenue</b>		
Gold	\$ 13,783	\$ 1,672
Petroleum and natural gas	5,779	—
Other income	2,276	280
	<u>21,838</u>	<u>1,952</u>
<b>Expenses</b>		
Gold	9,924	1,534
Petroleum and natural gas	1,840	—
Administration	3,005	1,556
	<u>14,769</u>	<u>3,090</u>
<b>Generated from operations</b>	7,069	(1,138)
Interest, including interest on long-term debt of \$3,182	5,645	—
Depreciation, depletion and amortization	5,827	456
	<u>(4,403)</u>	<u>(1,594)</u>
Loss before taxes and other items	(4,403)	(1,594)
Income taxes recovered, net of resource taxes (note 11)	896	—
Provision for decline in value of marketable securities	(579)	—
Share of earnings of equity accounted companies	300	—
Minority interest in loss of subsidiary	70	—
Exploration costs written off	—	(2,827)
	<u>(3,716)</u>	<u>(4,421)</u>
<b>Loss before extraordinary items</b>	(3,716)	(4,421)
Provision for loss on petroleum and natural gas interests (note 16)	(10,099)	—
Deferred computer software costs (note 6)	(1,585)	—
Loss on sale of investment in affiliated company, net of \$500 income taxes recovered	(694)	—
	<u>\$ (16,094)</u>	<u>\$ (4,421)</u>
<b>Loss for the year</b>		
<b>Loss per share (dollars)</b>		
Before extraordinary items	\$ (.05)	\$ (.09)
For the year	\$ (.21)	\$ (.09)

*Barrick Resources Corporation*  
*Consolidated Statement of Deficit*  
*For the Year Ended December 31, 1984 (\$000's)*

	1984	1983
<b>Deficit at beginning of year</b>	\$ 7,456	\$ 2,921
<b>Loss for the year</b>	16,094	4,421
<b>Costs incurred in raising capital</b>	1,304	114
<b>Deficit at end of year</b>	<u>\$ 24,854</u>	<u>\$ 7,456</u>

*See accompanying notes to consolidated financial statements*

*Barrick Resources Corporation*  
*Consolidated Statement*  
*of Changes in Financial Position*  
*For the Year Ended December 31, 1984 (\$000's)*

	<b>Pro Forma 1984 (note 1)</b>	<b>1984</b>	<b>1983</b>
<b>Working capital derived from</b>			
Gold trust proceeds	\$ 7,490	\$ 7,490	\$ —
Decrease in investment and note receivable	1,991	1,991	—
Sale of petroleum and natural gas interests	33,261	1,961	3,998
Increase in long-term debt	6,752	6,752	—
Issue of capital stock	82,397	82,397	30,294
Deferred gold production revenue	51,125	—	—
Other	339	—	—
	<b>183,355</b>	<b>100,591</b>	<b>34,292</b>
<b>Working capital applied to</b>			
Loss before extraordinary items	3,716	3,716	4,421
Items not affecting working capital			
Amortization of gold trust interest	610	610	—
Unrealized foreign exchange loss	(243)	(243)	(68)
Depreciation, depletion and amortization	(5,827)	(5,827)	(456)
Gas production prepayments	64	64	—
Deferred taxes recovered	1,508	1,508	—
Exploration costs written off	—	—	(2,827)
Share of earnings of equity accounted companies	300	300	—
Minority interest in loss of subsidiary	70	70	—
Operations	<b>198</b>	<b>198</b>	<b>1,070</b>
Business acquisitions, including working capital deficiency of \$53,894 (1983, net of working capital acquired of \$15,441)	107,078	107,078	15,513
Cash held in trust for mine expansion	3,704	3,704	—
Property, plant and equipment	15,436	15,436	9,221
Advances to affiliated companies	1,144	1,144	—
Costs incurred in raising capital	1,304	1,304	114
Redemption of preferred shares	1,381	1,381	—
Decrease in long-term debt	48,722	—	—
Other	—	1,539	2,754
	<b>178,967</b>	<b>131,784</b>	<b>28,672</b>
<b>Increase (decrease) in working capital</b>	<b>4,388</b>	<b>(31,193)</b>	<b>5,620</b>
<b>Working capital (deficiency) at beginning of year</b>	<b>685</b>	<b>685</b>	<b>(4,935)</b>
<b>Working capital (deficiency) at end of year</b>	<b>\$ 5,073</b>	<b>\$ (30,508)</b>	<b>\$ 685</b>

*See accompanying notes to consolidated financial statements*

## **1 Summary of significant accounting policies**

### *a) Basis of presentation*

#### *General*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

#### *Pro forma information*

As disclosed in notes 15 and 16, subsequent to December 31, 1984 the Company received \$53 million from the sale of gold from the Camflo mine under long term gold purchase contracts with the Gold Company of America and \$32 million from the sale of certain Canadian petroleum and natural gas interests. These transactions, and the repayment of bank debts from the funds received, have been reflected in the pro forma balance sheet and pro forma statement of changes in financial position.

#### *Subsidiary companies*

The consolidated financial statements include the accounts of the Company and all subsidiaries except for Muskingum Mining Incorporated (a wholly-owned subsidiary of La Luz Mines Limited) and Wilanour Resources Limited (67% owned). Muskingum is accounted for by the equity method as the Company plans to dispose of its interests therein. Wilanour is carried at nominal value.

The Company's principal subsidiaries are Barrick Minerals (Canada) Inc. (100% owned), Barrick Exploration Company (90%), Barrick Management Corporation (100%), CML Inc. (100%) and La Luz Mines Limited (89.5%).

#### *Joint ventures and partnerships*

Substantially all of the Company's petroleum and natural gas activities, and certain of its gold mining and mineral exploration activities, including the Company's 50% interest in Renabie Gold Mines Limited, are conducted jointly with others and, accordingly, the financial statements reflect the Company's proportionate interest in such activities.

#### *Affiliated companies*

The Company accounts for its investment in United Siscoe Mines Inc. (43.7% owned) by the equity method.

The consolidated financial statements include the results of operations of Neomar Resources Limited (47.3% owned at December 31, 1984 and 62.9% prior thereto). The investment is accounted for by the equity method effective December 31, 1984.

### *b) Translation of foreign currencies*

The Company's integrated foreign operations are translated by the temporal method whereby monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, non-monetary assets and liabilities and related depreciation and amortization are translated at historical exchange rates and revenues and expenses are translated at the exchange rates in effect at transaction dates.



The Company's self-sustaining foreign operations are translated using the current rate method whereby all assets and liabilities are translated at exchange rates prevailing at the year end and revenue and expense items at average exchange rates for the year. Translation adjustments arising from changes in exchange rates will form part of the change in the deferred translation adjustments component of shareholders' equity. These adjustments are not included in operations until realized through a reduction in the Company's net investment.

*c) Marketable Securities*

Marketable securities are valued at the lower of cost and net realizable value.

*d) Mine operating supplies*

Supplies inventories are valued at the lower of cost and net realizable value.

*e) Property, plant and equipment*

*i) Gold mining*

Property, deferred mine development costs, buildings and mining equipment are recorded at cost and amortized by the unit of production method.

*ii) Petroleum and natural gas*

The Company follows the full cost method of accounting for petroleum and natural gas interests whereby all costs relating to the exploration and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, engineering fees, interest, administration expenses and costs of drilling both productive and non-productive wells.

Costs are allocated to a separate cost centre for each country in which the Company operates and are amortized by the unit of production method based upon the estimated proven petroleum and natural gas reserves in each country.

The Company carries its petroleum and natural gas properties at the lower of capitalized cost or net recoverable value. Net recoverable value is the aggregate of future net revenues from proven reserves plus unproved properties at cost or fair value where value has been determined. Net revenues are determined using current prices and costs discounted at an appropriate rate on an after tax basis.

*iii) Mineral exploration*

Expenditures on mineral exploration programmes are deferred on a specific project basis until the viability of the project is determined. If a project is abandoned, the accumulated project costs are charged to operations. Once a project is developed, the related accumulated costs are amortized over the productive life of the project.

The recoverability of capitalized exploration and development costs is dependent upon the existence of economically recoverable reserves.

*f) Gold trust interest*

The gold trust interest represents proceeds received from the Barrick-Cullaton Gold Trust under the terms of a gold acquisition agreement and is amortized against distributions made to the Trust.

*Barrick Resources Corporation*  
*Notes to Consolidated Financial Statements*  
*For the Year Ended December 31, 1984*  
*(continued)*

*g) Loss per share*

Loss per share is calculated on the weighted average number of shares outstanding during the year.

**2 Business acquisition**

On July 14, 1984, the Company amalgamated with Camflo Mines Limited ("Camflo") and Bob-Clare Investments Limited ("Bob-Clare"), companies operating in the gold mining and petroleum and natural gas industries, continuing as Barrick Resources Corporation, whereby common shareholders of the Company received one common share of the amalgamated corporation for each common share held. Preferred shareholders of the Company received one preferred share, with identical attributes, of the amalgamated corporation for each preferred share held. Shareholders of Camflo, except Bob-Clare, whose Camflo shares were cancelled, received seven common shares of the amalgamated corporation for each common share held. Shareholders of Bob-Clare received 952,381 First Preferred shares, Series B of the amalgamated corporation. Concurrent with the amalgamation, the Company completed a private placement of \$30,000,000 of treasury shares, repaid \$26,277,000 of bank debt and restructured the remaining bank debt into a \$40,000,000 term loan and a \$30,000,000 operating loan.

As the amalgamation resulted in the previous shareholders of the Company owning a majority of the shares of the amalgamated Company, the amalgamation is accounted for as a purchase by the Company of Camflo and Bob-Clare as at July 14, 1984 and accordingly, these consolidated financial statements include the results of operations of Camflo and Bob-Clare from that date.

Details of the acquisition are as follows:

**Assets**

Gold mining claims, deferred mine development costs,	
building and equipment	\$ 59,528
Mineral exploration interests	14,000
Petroleum and natural gas interests	56,900
Investments	39,698
Other	1,548
	<u>171,674</u>

**Liabilities**

Working capital deficiency	53,894
Long-term debt	50,369
Other liabilities	14,227
	<u>118,490</u>
	<u>\$ 53,184</u>

**Net assets at fair values assigned**

*Barrick Resources Corporation*  
*Notes to Consolidated Financial Statements*  
*For the Year Ended December 31, 1984*  
*(continued)*

**Consideration**

Issue of	
22,817,795 common shares	\$ 47,917
952,381 First Preferred shares, Series B	2,000
6,000,001 warrants	3,000
	<u>52,917</u>
Deduct Company's interest in its shares held by business acquired	<u>1,261</u>
	51,656
Costs of amalgamation	<u>1,528</u>
	<u>\$ 53,184</u>

**3 Cash held in trust**

On February 13, 1984, Renabie received \$14,980,750 (\$17,000,000 less issue expenses) from the Barrick-Cullaton Gold Trust under the terms of a gold acquisition agreement. The funds are held in trust and are released as expenditures are incurred to expand the Renabie mine.

<b>4 Property, plant and equipment</b>	<b>Pro Forma 1984</b>	<b>1984</b>	<b>1983</b>
	(note 1)		
Cost:			
Gold mining claims, deferred mine development costs, buildings and equipment	\$ 82,573	\$ 82,573	\$15,674
Petroleum and natural gas interests	29,916	63,746	26,090
Mineral exploration interests	15,801	15,801	—
	<u>128,290</u>	<u>162,120</u>	<u>41,764</u>
Accumulated depreciation, depletion and amortization	5,728	6,411	1,265
	<u>\$122,562</u>	<u>\$155,709</u>	<u>\$40,499</u>

**5 Investments**

	<b>1984</b>
<b>United Siscoe Mines Inc.</b>	
Shares, at cost	\$ 8,424
Share of losses	<u>(1,000)</u>
	7,424
Notes receivable, plus accrued interest of \$3,516,000, bearing interest at Canadian bank prime rate plus 1½%, secured by United Siscoe's gold mining interest, payable on demand	<u>13,707</u>
	<u>21,131</u>



*Barrick Resources Corporation*  
*Notes to Consolidated Financial Statements*  
*For the Year Ended December 31, 1984*  
*(continued)*

<b>Investments (continued)</b>	<b>1984</b>
<b>Neomar Resources Limited</b>	
Shares, at cost	4,351
Share of losses	(118)
	<u>4,233</u>
<b>Muskingum Mining Incorporated</b>	
Shares, at cost	—
Share of earnings	1,300
	<u>1,300</u>
Notes receivable (US\$10,000,000), plus accrued interest of \$2,462,000, bearing interest at 10%, secured by mortgages on certain coal lands and security interests in Muskingum's assets, subordinated to Muskingum's mortgage payable, certain reclamation bonds and property lease	15,612
	<u>16,912</u>
<b>Other</b>	<u>750</u>
	<u><u>\$43,026</u></u>

The cost of the Company's investments in the above affiliates was less than its share of the underlying book value of those companies at the date of acquisition by approximately \$16 million. This difference has been attributed to the assets acquired, primarily to write down United Siscoe's geothermal properties. Subsequent to the Company's acquisition of United Siscoe that company wrote down its investment in geothermal properties to their estimated recoverable value which approximates the Company's cost.

The Company has guaranteed a mortgage payable by Muskingum, aggregating US\$4,564,000 at December 31, 1984, which is secured by a lien upon substantially all of the assets of Muskingum.

	<b>Pro Forma</b>		
<b>6 Other assets</b>	<b>1984</b>	<b>1984</b>	<b>1983</b>
	(note 1)		
Notes and mortgages receivable	\$1,414	\$1,414	\$ 637
Other	127	2,005	—
Investment	—	—	1,991
Deferred computer software development costs	—	—	1,540
	<u>\$1,541</u>	<u>\$3,419</u>	<u>\$4,168</u>

Costs relating to the Company's computer software development operations have been provided for as the Company has ceased marketing activities.

*Barrick Resources Corporation*  
*Notes to Consolidated Financial Statements*  
For the Year Ended December 31, 1984  
(continued)

<b>7 Bank loans</b>	<b>Pro Forma 1984</b>	<b>1984</b>	<b>1983</b>
	(note 1)		
Bank loan, interest at bank prime rate plus 1%, secured jointly with the bank term loan, \$12,500,000 due April, 1985 and the balance due on demand thereafter.	\$ 635	\$32,916	\$ —
Bank loan, interest at bank prime plus 1%, secured by the assets of Renabie and \$500,000 of the Company's cash deposits.	1,298	1,298	530
Bank loan (US\$1,000,000), interest at U.S. bank prime, secured by petroleum and natural gas interests.	—	—	1,244
	<u>\$1,933</u>	<u>\$34,214</u>	<u>\$1,774</u>

<b>8 Long-term debt</b>	<b>Pro Forma 1984</b>	<b>1984</b>	<b>1983</b>
	(note 1)		
Bank loans			
Term	\$ —	\$40,000	\$ —
Renabie	910	910	—
Other	2,853	11,575	3,617
	<u>3,763</u>	<u>52,485</u>	<u>3,617</u>
Current maturities	404	404	—
	<u>\$3,359</u>	<u>\$52,081</u>	<u>\$3,617</u>

The bank term loan bears interest at the bank's prime rate plus 1% with principal payments deferred until July, 1989. The loan is secured jointly with the operating loan by marketable securities, investments in subsidiaries and affiliates, petroleum and natural gas interests, a floating charge debenture on the assets previously owned by Camflo, and a negative pledge on the other assets of the Company.

The Renabie bank loan is secured by the assets of Renabie and is repayable \$180,000 per quarter commencing December 31, 1984. Interest is payable monthly at the bank's prime rate plus 2%.

Other debt includes \$7,370,000 (1983, \$3,117,000) due to a subsidiary of a company, certain of whose shareholders are directors of the Company bearing interest at U.S. bank prime rate plus 1% and \$1,352,000 (1983, \$480,000 included in accounts payable) to a company, the shareholder of which is a director of the Company, bearing interest at U.S. bank prime. These loans were repaid in January, 1985.

*Barrick Resources Corporation*  
*Notes to Consolidated Financial Statements*  
*For the Year Ended December 31, 1984*  
*(continued)*

**9 Gold trust interest**

The Barrick-Cullaton Gold Trust receives a percentage of future gold production from the Renabie mine ranging from 3% to 10%, depending upon the then current price of gold. Renabie has issued to the Trust a \$60,000,000 debenture secured by a mortgage and charge on the Renabie mine and a floating charge over Renabie's other properties. The Company's share of these assets is carried at \$22,156,000 in these financial statements.

<b>10 Capital stock</b>	<b>Authorized</b>	<b>Issued</b>	
Common shares	Unlimited	95,077,601	\$124,190
First Preferred Shares			
Series A	10,000,000	207,947	395
Series B	10,000,000	952,381	2,000
Second Preferred Shares			
Series A	15,000,000	256,019	622
Warrants		6,000,001	3,000
			<u>\$130,207</u>

	<b>Number of shares</b>	
<b>Common shares</b>		
Outstanding at December 31, 1983	57,784,184	\$ 46,005
Issued during 1984		
On conversion of First Preferred Shares, Series A	421,005	799
In consideration for all of the outstanding shares of Camflo Mines Limited, except for shares held by Bob-Clare	22,817,795	47,917
For cash	14,754,617	30,730
Outstanding at December 31, 1984	95,777,601	125,451
Deduct Company's interest in its shares held by a subsidiary company	(700,000)	(1,261)
Balance at December 31, 1984	<u>95,077,601</u>	<u>\$124,190</u>

<b>First Preferred Shares, Series A</b>		
Outstanding at December 31, 1983	629,240	\$ 1,195
Converted to common shares	(421,005)	(799)
Redeemed for cash	(288)	(1)
Outstanding at December 31, 1984	<u>207,947</u>	<u>\$ 395</u>



*Barrick Resources Corporation*  
*Notes to Consolidated Financial Statements*  
*For the Year Ended December 31, 1984*  
*(continued)*

	Number of shares	
<b>First Preferred Shares, Series B</b>		
Issued during 1984		
In consideration for all of the outstanding shares of Bob-Clare Investments Limited	952,381	\$ 2,000
<b>Second Preferred Shares, Series A</b>		
Outstanding at December 31, 1983	819,351	\$ 1,991
Exchanged for Cullaton common shares	(359,719)	(874)
Redeemed for cash	(203,613)	(495)
Outstanding at December 31, 1984	256,019	\$ 622
<b>Warrants</b>		
Issued during 1984		
In consideration for all of the outstanding warrants of Camflo Mines Limited	6,000,001	\$ 3,000

a) The First Preferred Shares, Series A, carry a fixed non-cumulative preferential cash dividend of \$0.114 per share per annum and are convertible into common shares on a one-for-one basis. These shares are redeemable at the option of the Company at the lesser of \$1.90 or at a price (stipulated by the Company) equal to the weighted average price of the Company's common shares on The Toronto Stock Exchange over a period of 20 consecutive trading days ending not more than 5 days prior to the date upon which notice of such price is given by the Company.

b) The First Preferred Shares, Series B, carry a fixed non-cumulative dividend at a rate of \$0.126 per annum, are convertible on a one-for-one basis into common shares of the Company and are redeemable at the option of the Company or the holder at \$2.3625 per share at any time after July 14, 1985.

c) The Second Preferred Shares, Series A, carry a fixed non-cumulative preferential cash dividend of \$0.222 per share per annum and are redeemable at the option of the holder at \$2.43 per share. Prior to March 5, 1984 the shares were exchangeable into shares of Cullaton Lake Gold Mines Limited and 359,719 shares were so exchanged.

d) Each warrant entitles the holder to subscribe for one common share of the Company at \$2.10 for a period of five years from July 14, 1984. The Company has entered into an agreement whereby it may be required to repurchase 3,000,000 warrants at \$0.50 each during the twelve-month period ending July 13, 1985.

e) There are share purchase options outstanding, expiring at various dates to March 1, 1987, for 2,144,750 common shares at prices between \$1.12 and \$3.20 per share.

## **11 Income and resource taxes**

As the Company operates in several business and geographic segments its income is subject to varying rates of taxation. Income taxes recoverable of \$1,508,000 are shown net of resource taxes payable of \$612,000 and a reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective rate of income tax is set out below:

	<b>1984</b>
Combined Canadian federal and provincial income tax rate	43.7%
Increase (decrease) resulting from:	
Non-deductible expenses, primarily oil and gas royalties	(2.3)
Resource allowances	11.2
Depreciation, depletion and amortization	(13.5)
Unrecorded tax benefit of subsidiaries' losses	(5.9)
Miscellaneous	1.0
Effective rate of income tax recovery	<u>34.2%</u>

The Company and its subsidiaries have non-capital losses which are available for carry forward to future fiscal years ending not later than: 1986, \$400,000; 1990, \$350,000; 1997, \$1,000,000; 1999, \$1,900,000. The tax benefit relating to these loss carry forwards has not been recorded in the accounts.

## **12 Related party transactions**

**a)** The Company participates in various mineral exploration and petroleum and natural gas projects with certain related companies in the normal course of business. The services of certain of the Company's officers and staff, office premises and administrative expenses are shared with certain related companies, including a company the shareholder of which is a director of the Company and other related companies. These expenses are allocated amongst the companies based on their proportionate share of the costs incurred. Fees for legal and consulting services have been paid to professionals who are directors of the Company, a subsidiary or a related company.

**b)** Amounts due from affiliated companies amounting to \$588,000 (1983, \$544,000) are included in accounts receivable.

**c)** At December 31, 1984 there were outstanding \$432,000 (1983, Nil) of residence loans bearing interest at 7% per annum and \$1,107,000 (1983, \$637,000) of interest free non-recourse loans repayable by 1991 to officers or former officers for the acquisition of Company shares under an incentive stock purchase plan.

**d)** The services of the Company's officers and staff and the use of office space and facilities were provided up to August, 1984, at cost, by a corporation, the shareholder of which is a director of the Company. These services amounted to \$684,000 for the year ended December 31, 1984 (1983, \$920,000).

*Barrick Resources Corporation*  
*Notes to Consolidated Financial Statements*  
*For the Year Ended December 31, 1984*  
*(continued)*

**13 Business segments**

The Company has two principal business segments: gold and petroleum and natural gas.

	1984	1983
<b>Revenues</b>		
Gold		
Canada	\$12,158	\$ 1,672
United States	1,625	—
	<u>\$13,783</u>	<u>\$ 1,672</u>
Petroleum and natural gas		
Canada	\$ 5,436	\$ —
United States	343	—
	<u>\$ 5,779</u>	<u>\$ —</u>
<b>Depreciation and Amortization</b>		
Gold		
Canada	\$ 3,841	\$ 448
United States	652	—
Petroleum and natural gas		
Canada	1,207	—
United States	65	—
Corporate	62	8
	<u>\$ 5,827</u>	<u>\$ 456</u>
<b>Income (loss) before extraordinary items</b>		
Income (loss) after depreciation		
Gold		
Canada	\$ (1,066)	\$ (310)
United States	(7)	—
	<u>(1,073)</u>	<u>(310)</u>
Petroleum and natural gas		
Canada	2,524	—
United States	(30)	—
	<u>2,494</u>	<u>—</u>
General corporate expenses, net	(7,015)	(1,284)
Income taxes recovered	1,508	—
Share of earnings of equity accounted companies	300	—
Minority interest in loss of subsidiary	70	—
Exploration costs written off	—	(2,827)
	<u>\$ (3,716)</u>	<u>\$ (4,421)</u>

*Barrick Resources Corporation*  
*Notes to Consolidated Financial Statements*  
*For the Year Ended December 31, 1984*  
*(continued)*

	1984	1983
<b>Capital Expenditures</b>		
Gold	\$ 81,638	\$14,820
Petroleum and natural gas	62,603	10,407
	<u>\$144,241</u>	<u>\$25,227</u>
<b>Assets by business segment</b>		
Gold	\$ 95,509	\$18,000
Petroleum and natural gas	64,556	30,127
	<u>160,065</u>	<u>48,127</u>
Corporate assets	15,911	4,413
Investments	43,026	—
	<u>\$219,002</u>	<u>\$52,540</u>
<b>Identifiable assets by geographic area</b>		
Canada	\$127,449	\$17,194
United States	31,397	27,307
Australia	1,219	1,825
Turkey	—	1,254
New Zealand	—	547
	<u>\$160,065</u>	<u>\$48,127</u>

**14 Joint venture and partnership**

The Company's 50% interest in Renabie Gold Mines Limited and 23.125% interest in the Valdez Creek Joint Venture have been proportionately consolidated. The Company's interest in these investments as at December 31, 1984 is summarized below:

	1984	1983
<b>Assets</b>	\$24,427	\$15,560
<b>Liabilities</b>	12,251	3,542
<b>Revenue</b>	5,595	1,672
<b>Expenses</b>	6,668	1,924

The Company has granted to Campbell Resources Inc., the manager of the Renabie mine, an option to acquire 10% of the Company's interest in Renabie for \$1,160,000 exercisable until January 1, 1989.

**15 Gold Company of America**

Gold Company of America, a limited partnership in which Barrick Management Corporation and Prudential-Bache Minerals Inc. are the general partners, sold to the public US\$47 million (Cdn.\$61 million) of depositary units representing an assignment of the economic rights attributable to limited partnership interests in the Partnership.



In January, 1985, Barrick Minerals entered into two gold purchase agreements amounting to US\$40 million (Cdn.\$53 million) for the sale of gold from the Camflo Mine to Gold Company of America. Under the terms of the contracts, which each provide for the purchase of a specified number of ounces of gold, gold is delivered to the Partnership based on a percentage rate per annum of the total contract price which rate is dependent on the prevailing price of gold at the time of its delivery. The rate is 8% when gold is US\$365 per ounce and increases or decreases 1% for every US\$35 change in the price of gold to a maximum US\$1,500 per ounce. All of the assets of Barrick Minerals including the Camflo Mine (net book value \$61.6 million) have been pledged as security for the gold purchase contracts.

Funds received under the gold purchase contracts, net of costs of the offering, will be accounted for as deferred revenue and will be brought into income over the estimated economic life of the contracts.

#### **16 Sale of petroleum and natural gas interests**

During the year the Company decided to sell its interests in certain Canadian and international petroleum and natural gas properties. These assets have been written down at December 31, 1984 to estimated net realizable value as follows:

Net book value of petroleum and natural gas interests	
Canadian	\$38,609
International	3,956
Gas production prepayments	(1,847)
	<hr/>
	40,718
Estimated net realizable value	32,519
Write-down to estimated net realizable value	8,199
Income taxes	1,900
Provision for loss on petroleum and natural gas interests	<hr/>
	\$10,099

The operating results of the above petroleum and natural gas interests included in the Consolidated Statement of Loss are as follows:

Revenue	\$4,430
Operating and administrative expenses	(1,192)
Depreciation, depletion and amortization	(795)
Interest	(2,195)
Resource taxes	(118)
Earnings before income taxes	<hr/>
	\$ 130

The sale of the Canadian interests was completed in March, 1985 for gross proceeds of \$32 million.

*Barrick Resources Corporation*  
*Auditors' Report*

To the Shareholders of Barrick Resources Corporation

We have examined the consolidated balance sheet of Barrick Resources Corporation as at December 31, 1984 and the consolidated statements of operations, deficit and changes in financial position for the year then ended including the pro forma information contained therein. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984, the results of its operations and the changes in its financial position for the year then ended and the pro forma effect of the transactions referred to in note 1(a) in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Coopers & Lybrand*

*Coopers & Lybrand*  
*Chartered Accountants*

*Toronto, Canada March 21, 1985*

*Barrick Resources Corporation*  
*Corporate Data*

*Transfer Agent*

The National Victoria and Grey Trust  
Company  
18 King Street East  
Toronto, Ontario M5C 1E4

*Auditors*

Coopers & Lybrand  
Toronto, Canada

*Legal Counsel*

Davies, Ward & Beck  
Toronto, Canada

*Shares Listed*

The Toronto Stock Exchange — (Symbol — BRC)  
The Montreal Exchange — (Symbol — BRC)  
NASDAQ (Symbol — BRCFF)

*Barrick Resources Corporation*

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*Barrick Resources Corporation*  
*Directors and Officers*

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*Directors*

Howard L. Beck  
Toronto, Ontario  
Partner,  
Davies, Ward & Beck

C. William D. Birchall  
Nassau, Bahamas  
Chief Financial Officer,  
Barrick Investments Limited

Stephen R. Dattels  
Toronto, Ontario  
Executive Vice-President,  
Corporate Finance,  
Barrick Resources Corporation

Robert E. Fasken  
Oakville, Ontario  
Consultant

David H. Gilmour  
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Barrick Investments Limited

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London, England  
Executive Director,  
Samuel Montagu & Co. Limited

John P. Holmes  
New York, New York  
President,  
Holmes, Ferguson & Co., Inc.

Essam Khashoggi  
London, England  
Chairman, President and Chief  
Executive Officer, Triad America

Gary J. Last  
Toronto, Ontario  
President and Chief Executive Officer,  
Barrick Resources Corporation

Peter Munk  
Toronto, Ontario  
Chairman,  
Barrick Investments Limited

P. Anthony Novelly  
St. Louis, Missouri  
President and Chief Executive Officer,  
Apex Oil Company

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Toronto, Ontario  
President, Roy-L Resources Ltd.  
Chairman and Director,  
Geocrude Energy Inc.

Norman J. Short  
Toronto, Ontario  
President and Director,  
Guardian Capital Group Limited

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Chairman of the Board

Gary J. Last  
President and Chief Executive Officer

Stephen R. Dattels  
Executive Vice-President,  
Corporate Finance

Robert M. Smith  
Executive Vice-President, Mining

Jeremy Garbutt  
Vice-President, Finance

Meredyth E. Holt  
Vice-President, Mining Exploration

Brian K. Meikle  
Vice-President, Mining Operations

William R. Robertson  
Vice-President and Secretary

Gregory C. Wilkins  
Vice-President and Controller

Alan R. Hill  
Director of Mining Engineering

Roger L. Jarvis  
President  
Barrick Exploration Company